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JOEL C. CLEMENTS
Chairman, President & Chief Executive Officer

March 8, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20" Street and Constitution Avenue, NW
Washington, DC 200551

Docket NO. R-1181
RE: Community Reinvestment Act Regulations

Dear Sir or Madam:

As a community banker, I strongly endorse the federal bank regulators' proposal to increase the asset size of banks eligible for the small bank streamlined Community Reinvestment Act (CRA) examination from \$250 million to \$500 million and elimination of the holding coinpany size limit (currently \$1 billion). This proposal will greatly reduce regulatory burden. I am the Chairman and CEO of First State Bank, a \$295,000,000 bank, located in Waynesboro, MS.

The small bank CRA examination process was an excellent innovation. As a community banker, I applaud the agencies for recognizing that it is time to expand this critical burden reduction benefit to larger community banks. At this critical time for the economy, this will allow more coininunity banks to focus on what they do best-fueling America's local economies. When a bank must comply with the requirements of the large bank CRA evaluation process, the costs and burdens increase dramatically. And the resources devoted to CRA compliance are resources not available for meeting the credit demands of the community.

Waynesboro is a town of 6,000 people and there are six banks in town. We are the only "hometown" bank and we are proud to take a leading role in "giving back" to our town. Our people take the lead in everything from the March of Dimes campaign, United Way, Relay for Life, Boy and Girls Scouts, all school functions, to the Salvation Army. They are encouraged to get involved.

We badly need loans and we make every effort to make a loan whenever we can qualify it from a credit quality standpoint.

Serving you is what we do best!

The banks that we compete with are all multi-billion dollar banks with marketing budgets that we can't compete with.

Adjusting the asset size limit also more accurately reflects significant changes and consolidation within the banking industry in the last 10 years. To be fair, banks should be evaluated against their peers, not banks hundreds of times their size. The proposed change recognizes that it's not right to assess the CRA performance of a \$500 million bank or a \$1 billion bank with the same exam procedures used for a \$500 billion bank. Large banks now stretch from coast-to-coast with assets in the hundreds of billions of dollars. It is not fair to rate a community bank using the same CRA examination. And, while the proposed increase is a good first step, the size of banks eligible for the small-bank streamlined CRA examination should be increased to \$2 billion, or at a minimum, \$1 billion.

Ironically, community activists seem oblivious to the costs and burdens. And yet, they object to bank mergers that remove the local bank from the community. This is contradictory. If community groups want to keep the local banks in the community where they have better access to decision-makers, they must recognize that regulatory burdens are strangling smaller institutions and forcing them to consider selling to larger institutions that can better manage the burdens.

Increasing the size of banks eligible for the small-bank streamlined CRA examination does not relieve banks from CRA responsibilities. Since the survival of many community banks is closely intertwined with the success and viability of their communities, the increase will merely eliminate some of the most burdensome requirements.

In summary, I believe that increasing the asset-size of banks eligible for the small bank streamlined CRA examination process is an important first step to reducing regulatory burden. I also support eliminating the separate holding company qualification for the streamlined examination, since it places small Community banks that are part of a larger holding company at a disadvantage to their peers. While community banks still must comply with the general requirements of CRA, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation from community banks that are drowning in regulatory red-tape. I also urge the agencies to seriously consider raising the size to banks eligible for the streamlined examination to \$2 billion or, at least, \$1 billion in assets to better reflect the current demographics of the banking industry.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joel C. Clements', written over a light gray rectangular background.

Joel C. Clements
Chairman and CEO